CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN ACCOUNTANCY

DIAC 0222: SPECIALIZED ACCOUNTING

STREAMS: DIAC Y2S1 **TIME: 2 HOURS**

DAY/DATE: THURSDAY 13/4/2023 **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS:

Answer Question ONE and any other TWO Questions
Do not write anything on the Question paper

Question One

a) Write short notes on the following
   i) Minimum rent (2 marks)
   ii) Shortworkings (2 marks)

b) State and explain three circumstances under which royalties may arise. (6 marks)

c) A and B wrote a book of advanced financial accounting and got it published by East Africa Publishers on terms that royalty will be paid at sh 50 per copy subject to a minimum rent of sh150,000 with the right to recoupment of shortworkings over the first 3 years of the royalty agreement. The following are details for the years 2017, 2018, 2019 and 2020.

Year	Copies	Closing stock
2017	20,000	1000
2018	30000	2000
2019	40000	4000
2020	50000	5000

Required:

i) Analysis sheet (4 marks)

ii) Royalties account (6 marks)

iii) A and B Account (6 marks)

iv) Shortworkings Account (4 marks)

Question Two

XYZ Limited delivers goods to customers in drums which are in the books at sh30 and charged to customers at sh60. Customers are credited backwith sh 40 if the drums are returned within 6 weeks. The following information is available;

- ✓ Drums at hand at the beginning of the year 2000
- ✓ Drums with customers at the beginning of the year 4200

<u>Transactions during the year</u>

- ✓ Purchases at sh.50 each 3000 drums
- ✓ Drums sent out to customers 6400 drums
- ✓ Drums returned by customers 4600 drums
- ✓ Drums destroyed in accidents 60 drums
- ✓ Drums sold as scrap for Ksh 1000 100 drums
- ✓ Repairs carried on drums Kshs 2500

At the end of the year, 3800 drums with customers are still returnable.

Required:

i) Determine the drums retained. (2 marks)

ii) Determine the closing stock of drums at hand. (3 marks)

iii) Containers stock Account (8 marks)

iv) Containers suspense account (7 marks)

Question Three

ABC Limited whose head office is in Nairobi operates a branch in Meru. All goods are purchased by the head office and invoiced to and sold by the branch at a cost plus $33\frac{1}{3}\%$. Other than sales ledger kept in Meru, all transactions are recorded in the books in Nairobi. The following details are given of the transactions at the branch during the year ended 31st December 2020.

Kshs

✓ Stock on 1/1/2020 at an invoice price	308,000
✓ Debtors on 1/1/2020	276,220
✓ Stock on hand 31/12/2020	276,360
✓ Goods sent from Nairobi during the year at invoice price	1,736,000
✓ Credit sales	1,470,000
✓ Returns to head office at invoice price	168,000
✓ Goods stolen	70,000
✓ Bad debts written off	42,000
✓ Cash from debtors	1,568,000
✓ Discount allowed to debtors.	7,000

Required:

i) Branch stock account (6 marks)

ii) Branch mark up account (4 marks)

iii) Goods sent to branch account (2 marks)

iv) Debtors control account (4 marks)

b) State and explain the methods of writing off hire purchase interest. (4 marks)

Question Four

a) Differentiate between credit back price and charge out price. (2 marks)

b) Differentiate between hire purchase and credit sale (2 marks)

c) Farm machineries limited sell different farm machines in East Africa. On 1st January 2018, they sold a diesel generator to Josephat on hire purchase agreement. He made a down payment of Ksh 75,000 and agreed to pay 15 equal installments on monthly basis of sh 8950 each. The cash price of the generator was shs 186,000. The interest earning is on a straight line method. The depreciation is charged on straight line method at 20% p.a. The company closes the books on 31st December every year.

Required:

i) The generator account (3 marks)

ii) Provision for depreciation account (3 marks)

iii) Hire purchase interest suspense account (5 marks)

iv) Hire purchase company account (5 marks)